



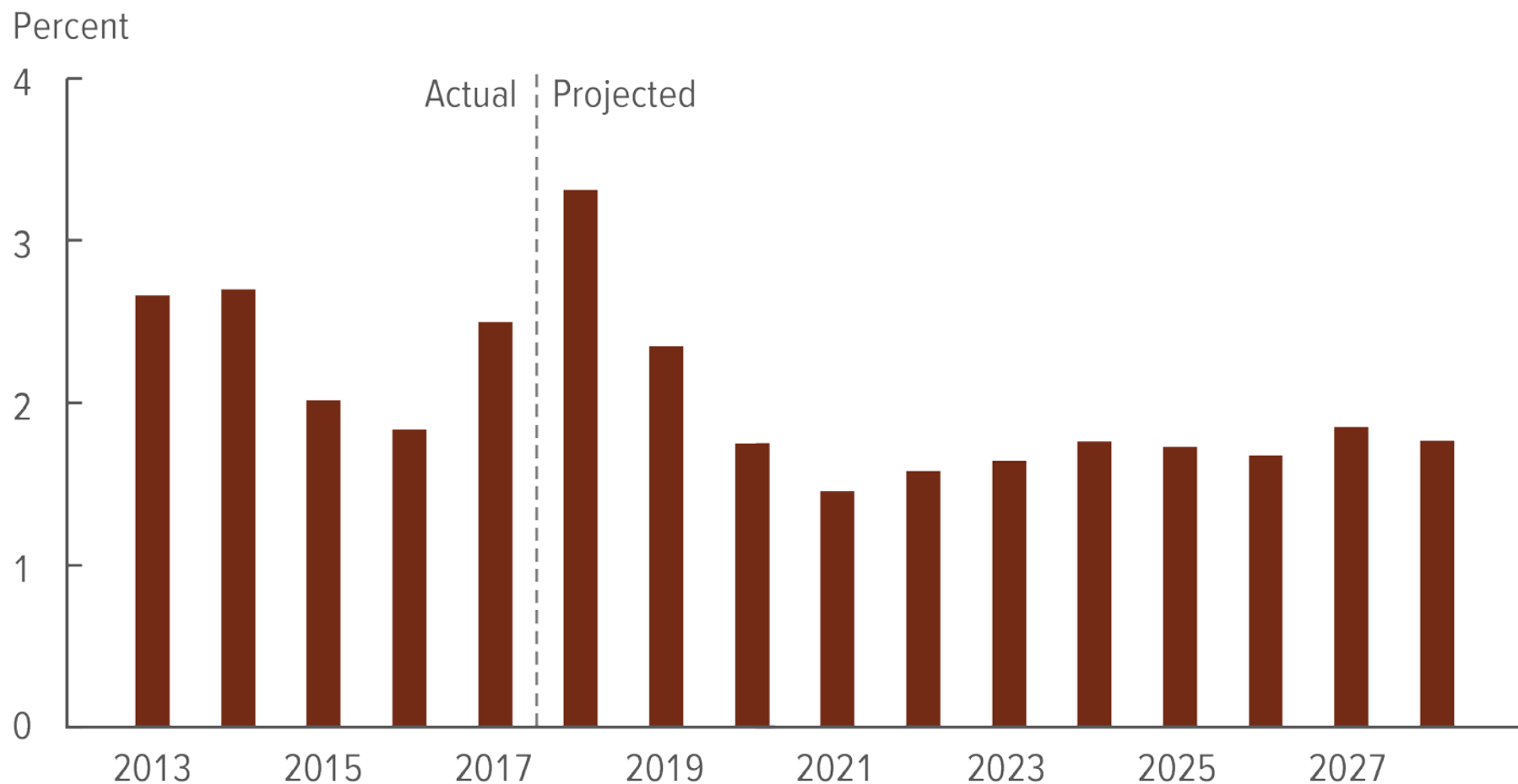
CONGRESSIONAL BUDGET OFFICE

The Economic Outlook for 2018 to 2028 in 30 Slides

April 2018

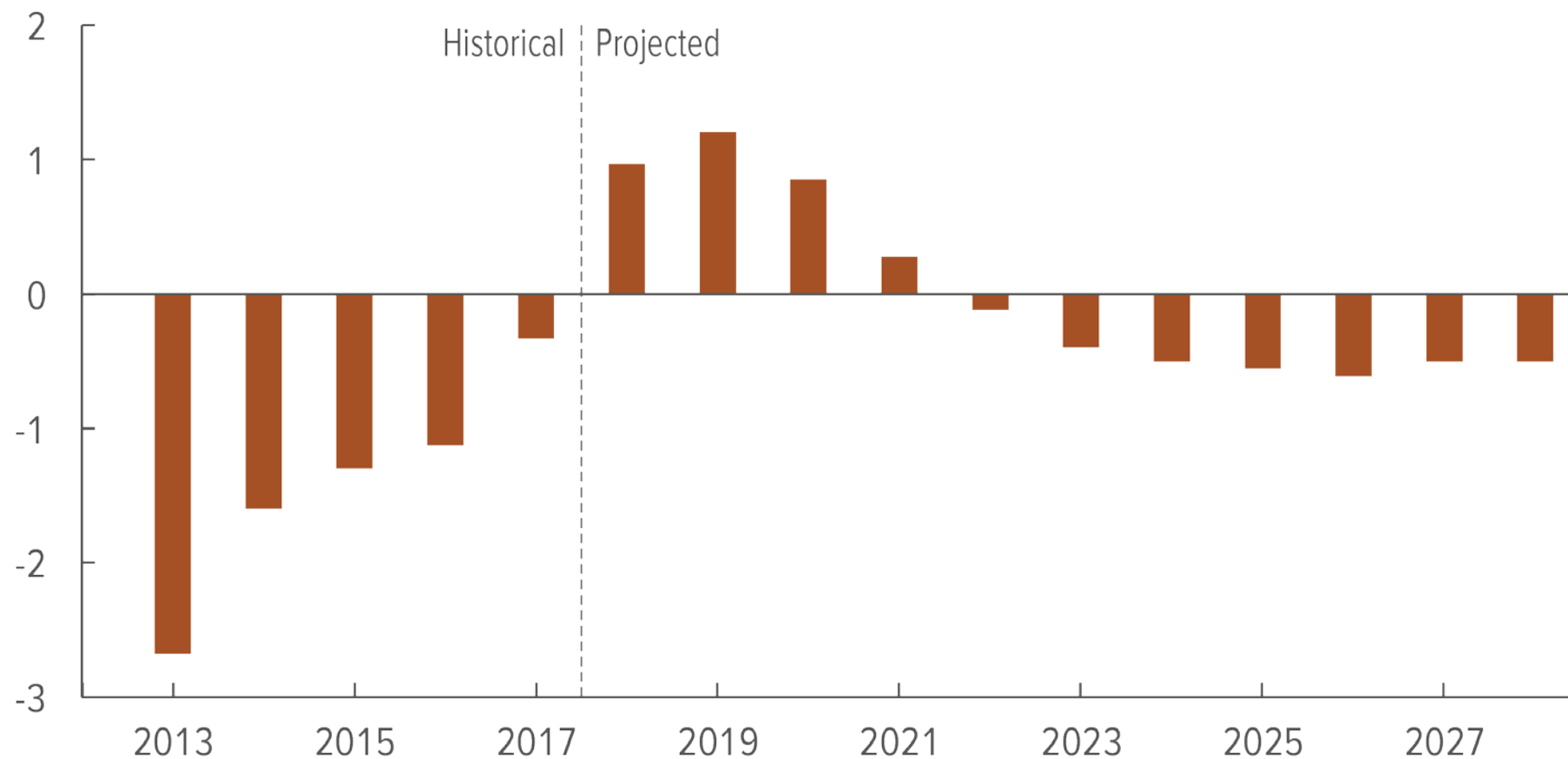
For more details, see www.cbo.gov/publication/53651.

Growth of GDP

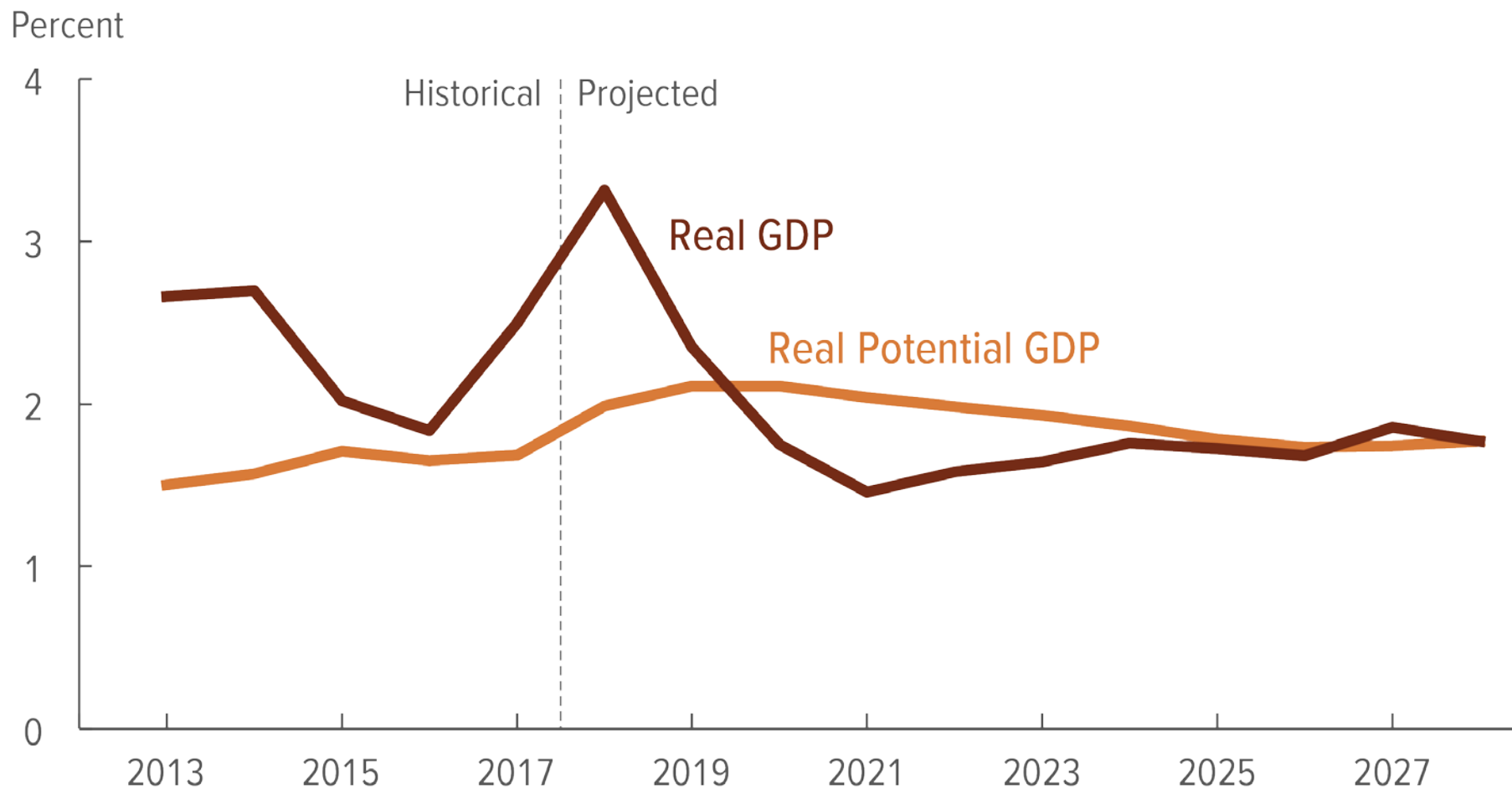


Growth of real gross domestic product (or GDP, the total output of goods and services adjusted to remove the effects of inflation) is projected to be faster this year than it was last year, as the 2017 tax act and recent changes in federal spending policies add to existing momentum in spending on goods and services.

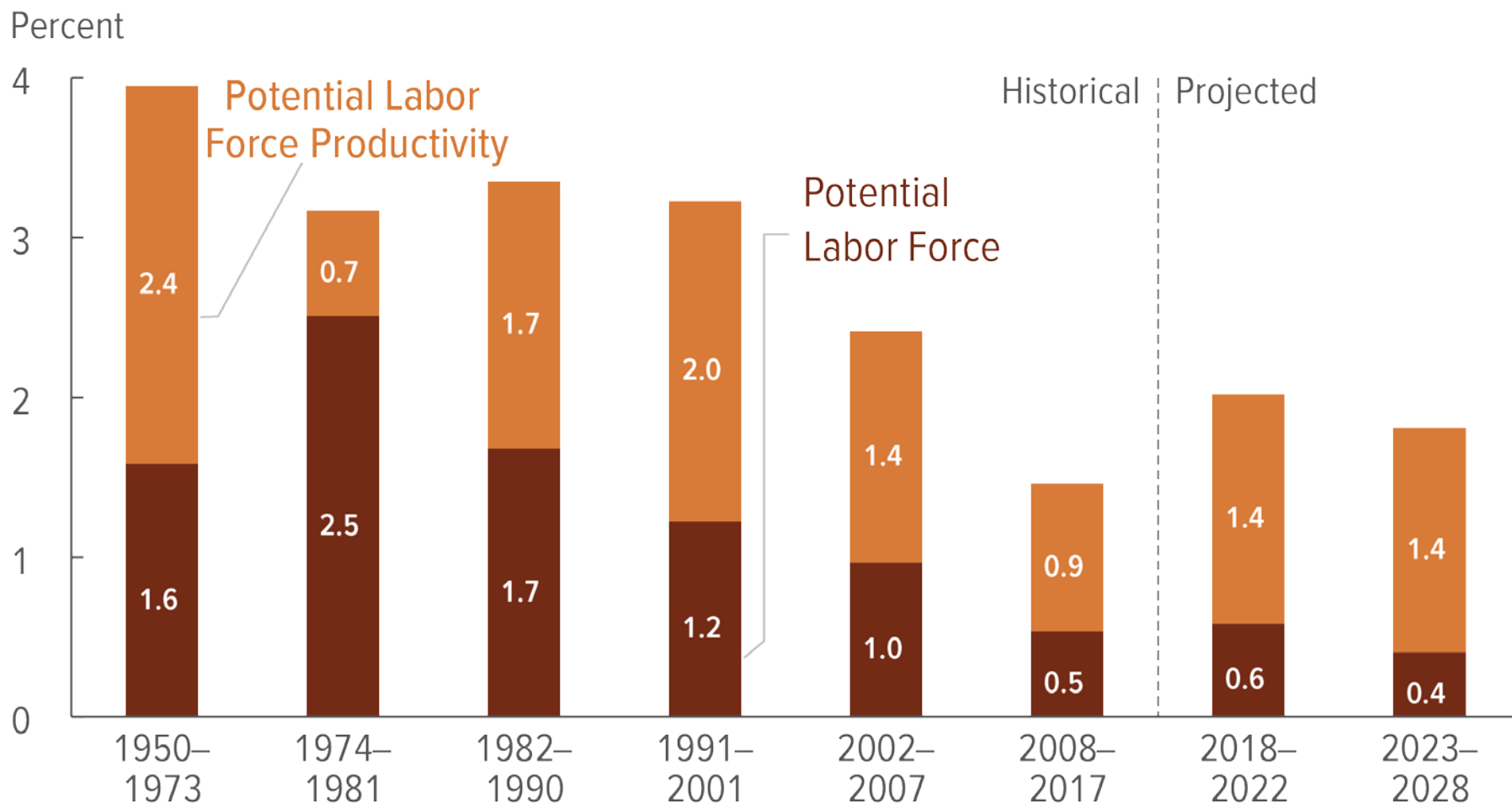
Percentage of Potential GDP



Growth of actual GDP outpaces growth of potential (that is, maximum sustainable) GDP both this year and next—raising the **output gap** between GDP and potential GDP to 1.2 percent in 2019.

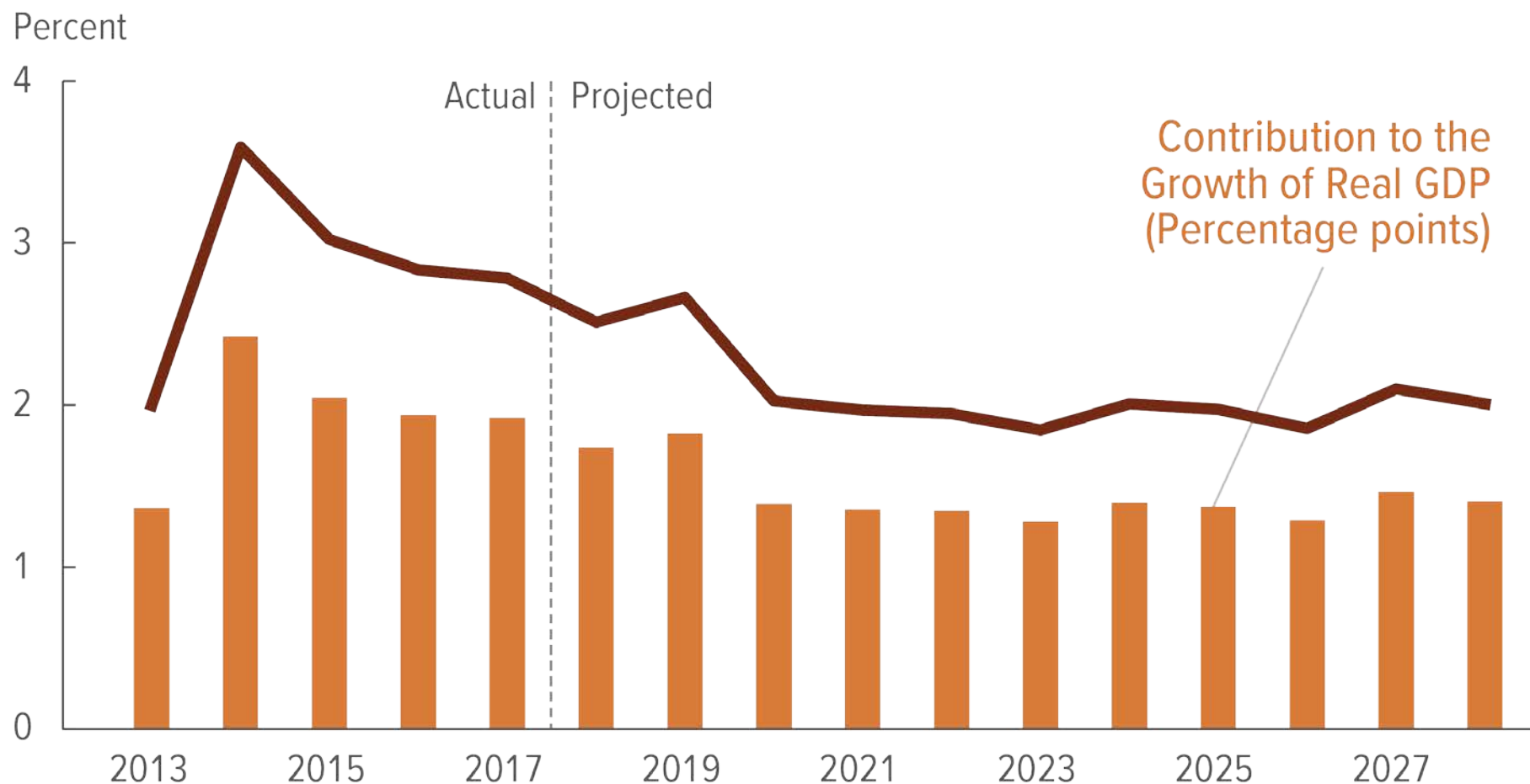


After 2018, **economic growth** is projected to slow, with the growth of real GDP eventually matching the growth of potential GDP.

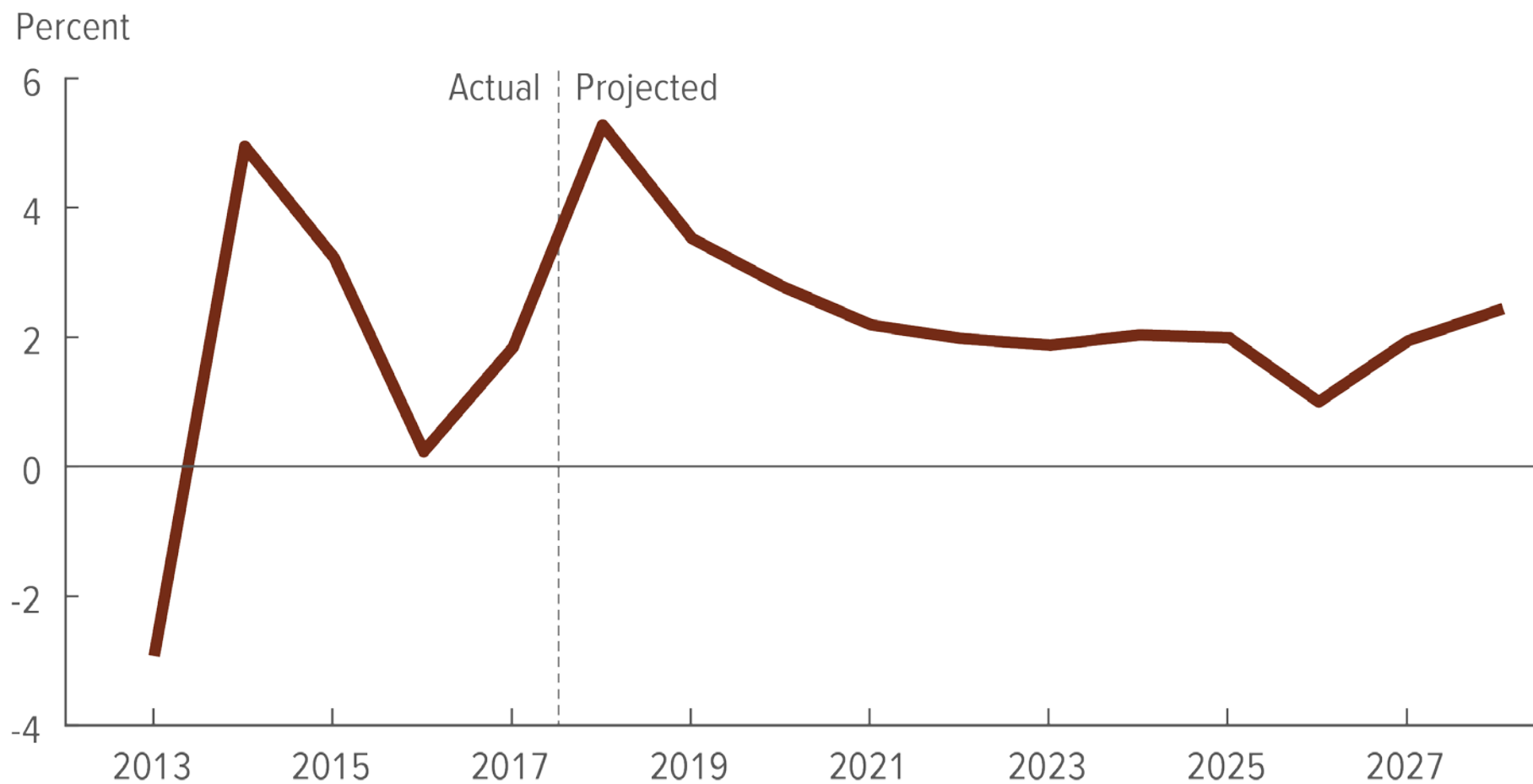


Growth of potential GDP, driven in large part by faster productivity growth, is projected to be stronger over the next 10 years than it has been since the recession that began in December 2007.

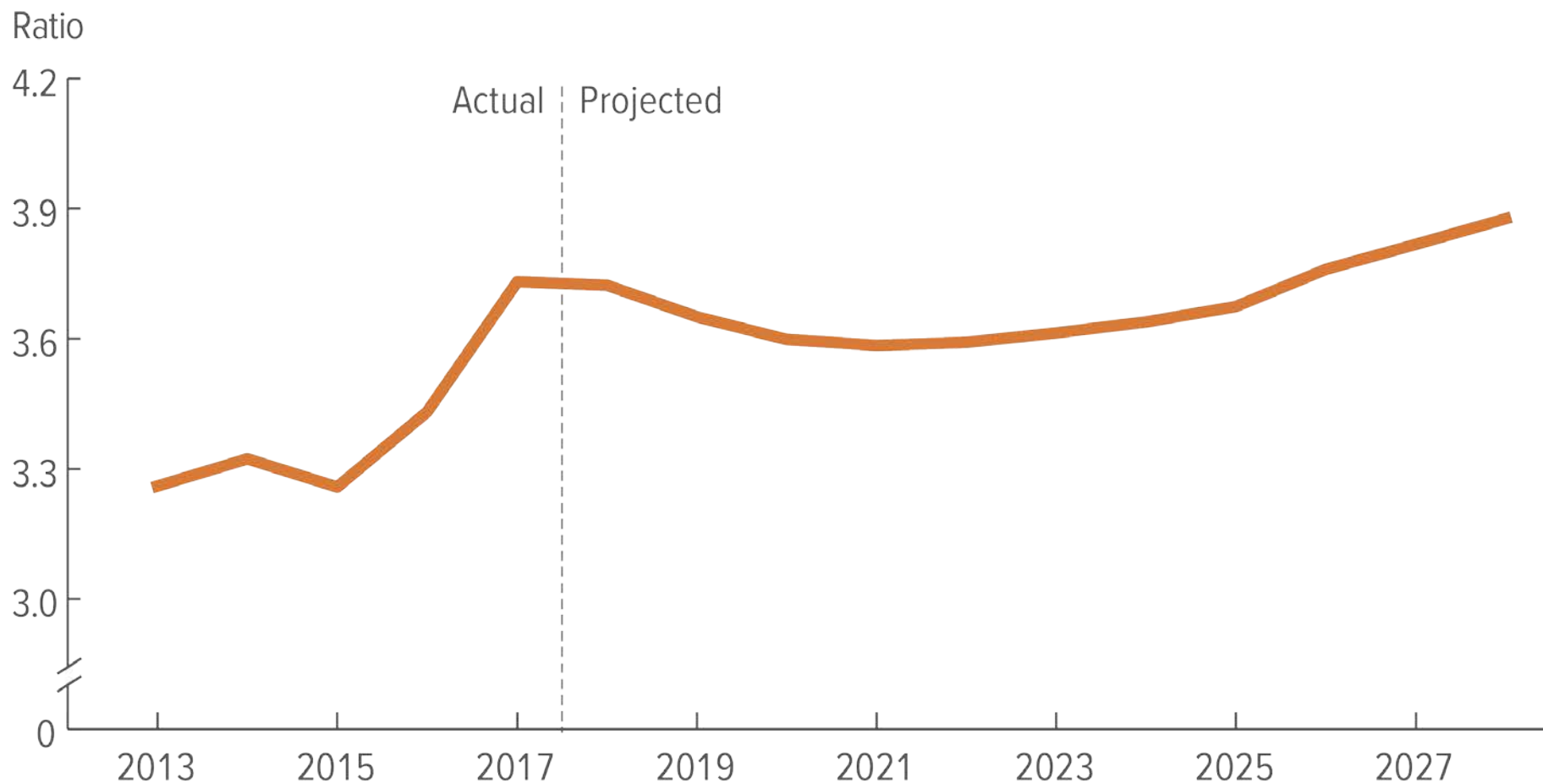
Growth of Personal Consumption



CBO expects the **growth of real personal consumption expenditures** to slow modestly and to contribute less to the growth of real GDP over the next few years than it did last year . . .

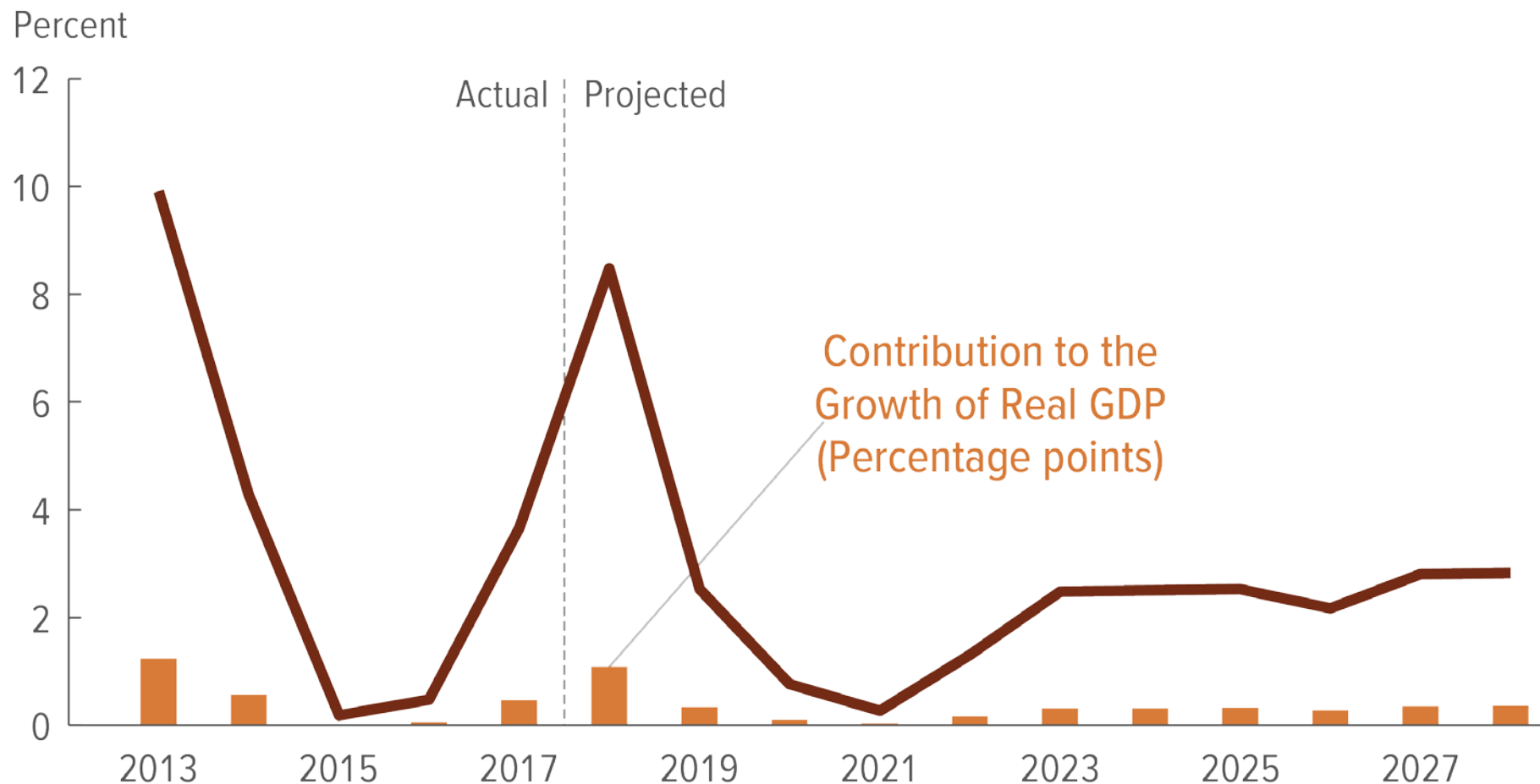


... reflecting slower **growth of real disposable personal income** after 2018 ...

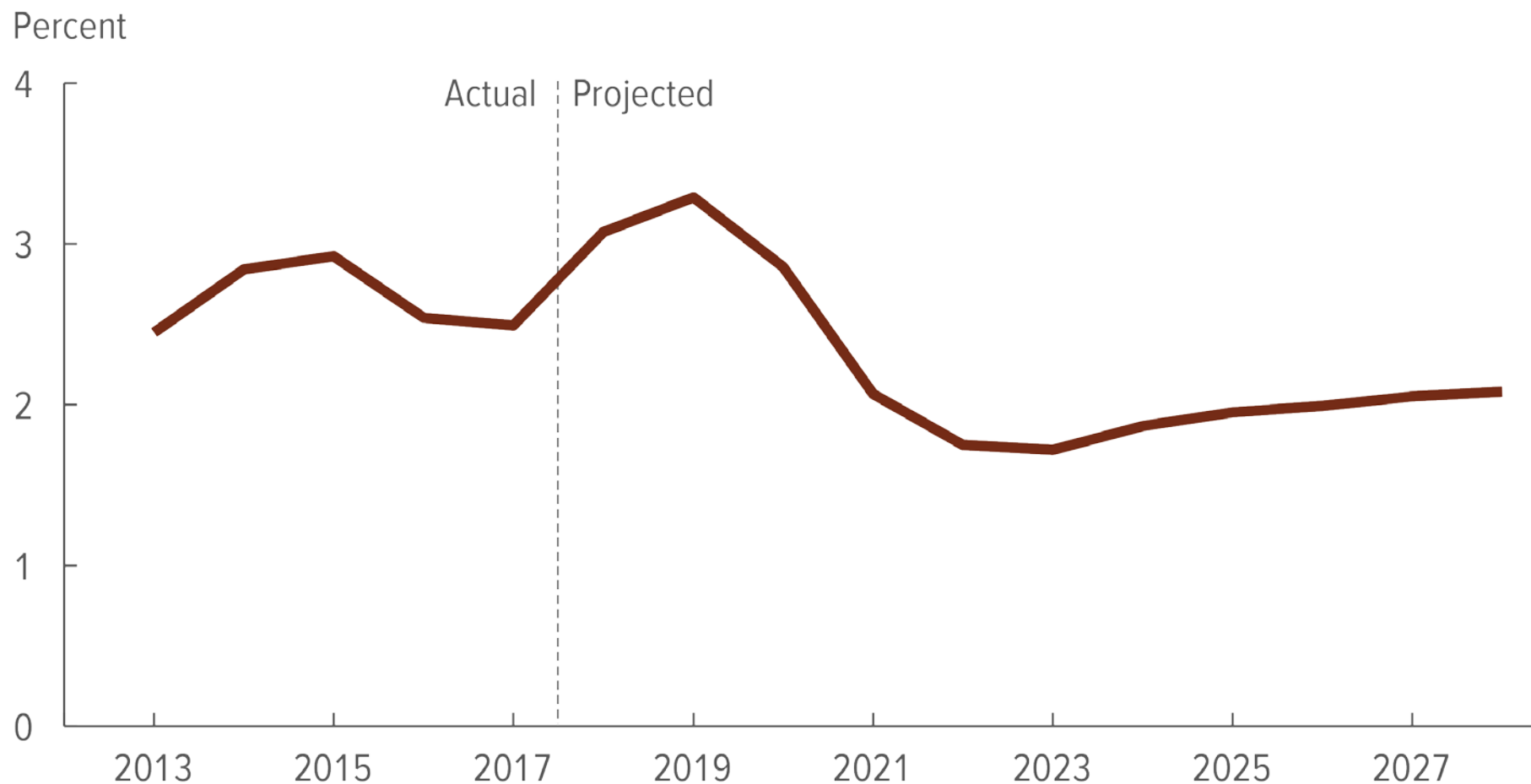


... and slower gains in coming years in **households' wealth-to-income ratio**—the sum of households' equity holdings and real estate assets, divided by households' disposable personal income.

Growth of Business Investment

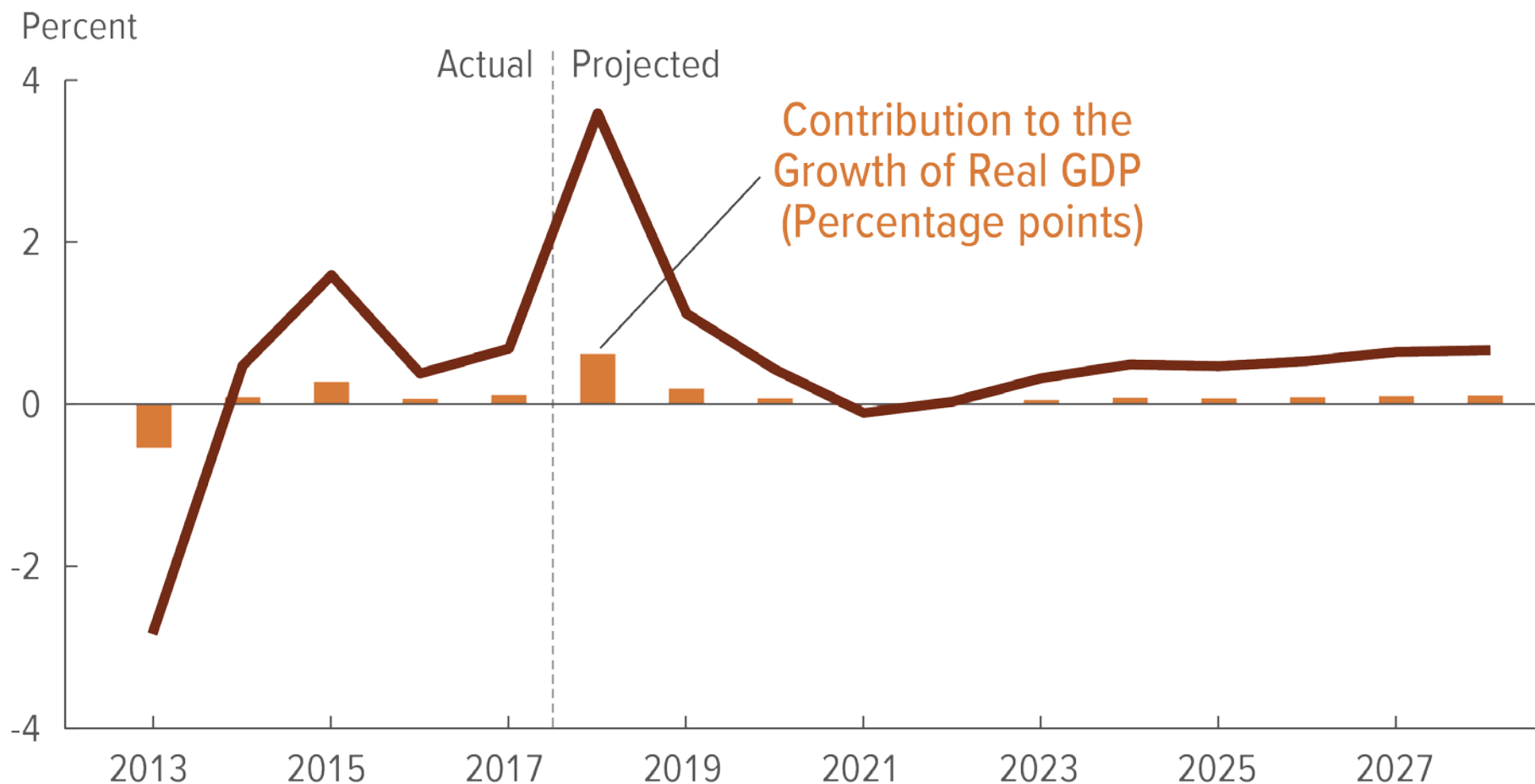


In CBO's projections, the **growth of real business investment**—purchases of equipment, nonresidential structures, and intellectual property products, as well as the change in inventories—rises substantially this year and then slows . . .



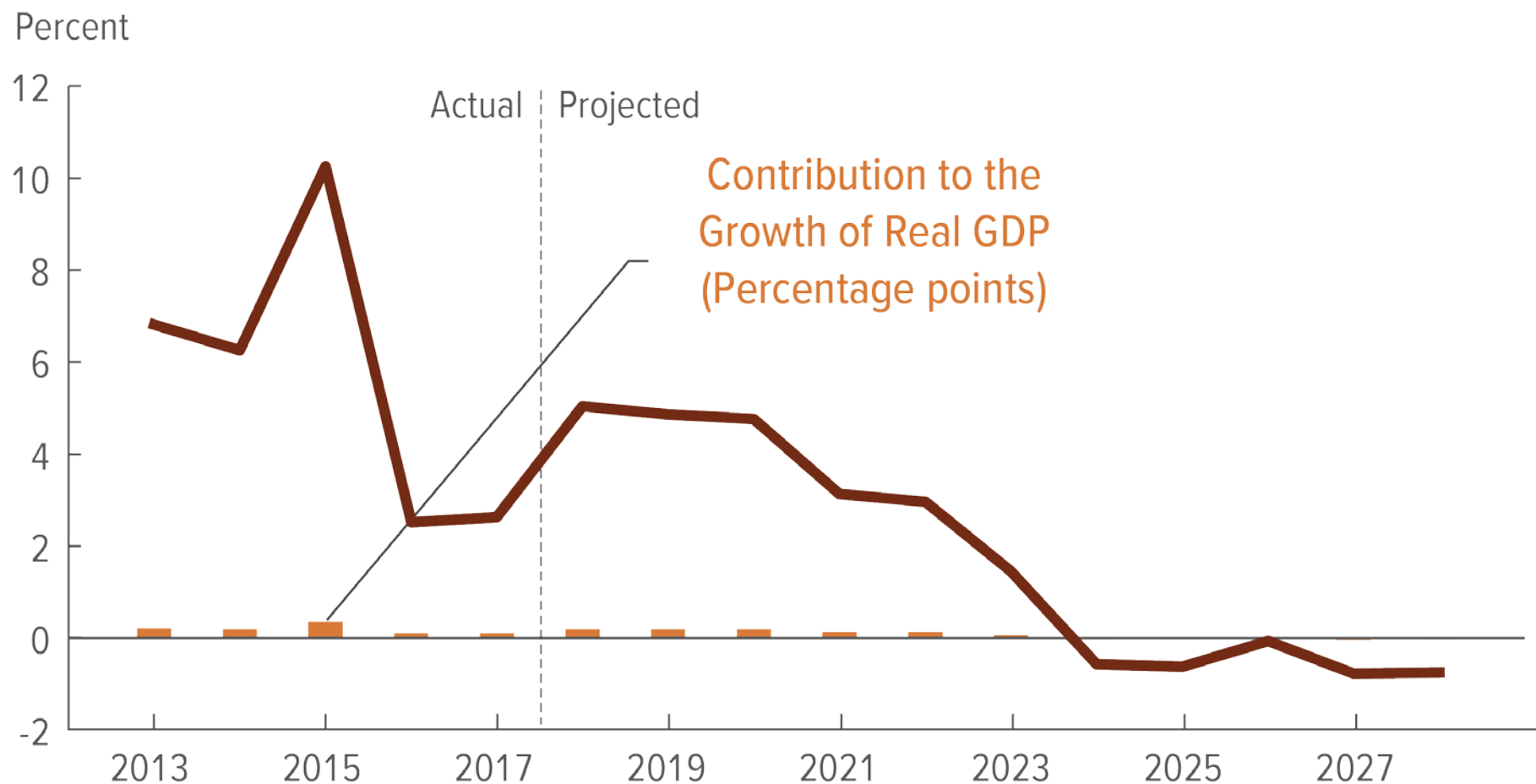
... in part because **growth of the output of nonfarm businesses** (shown here as the average growth in the year indicated and the previous two years) slows, causing those businesses to need less additional capacity to meet demand for their goods and services.

Growth of Government Purchases



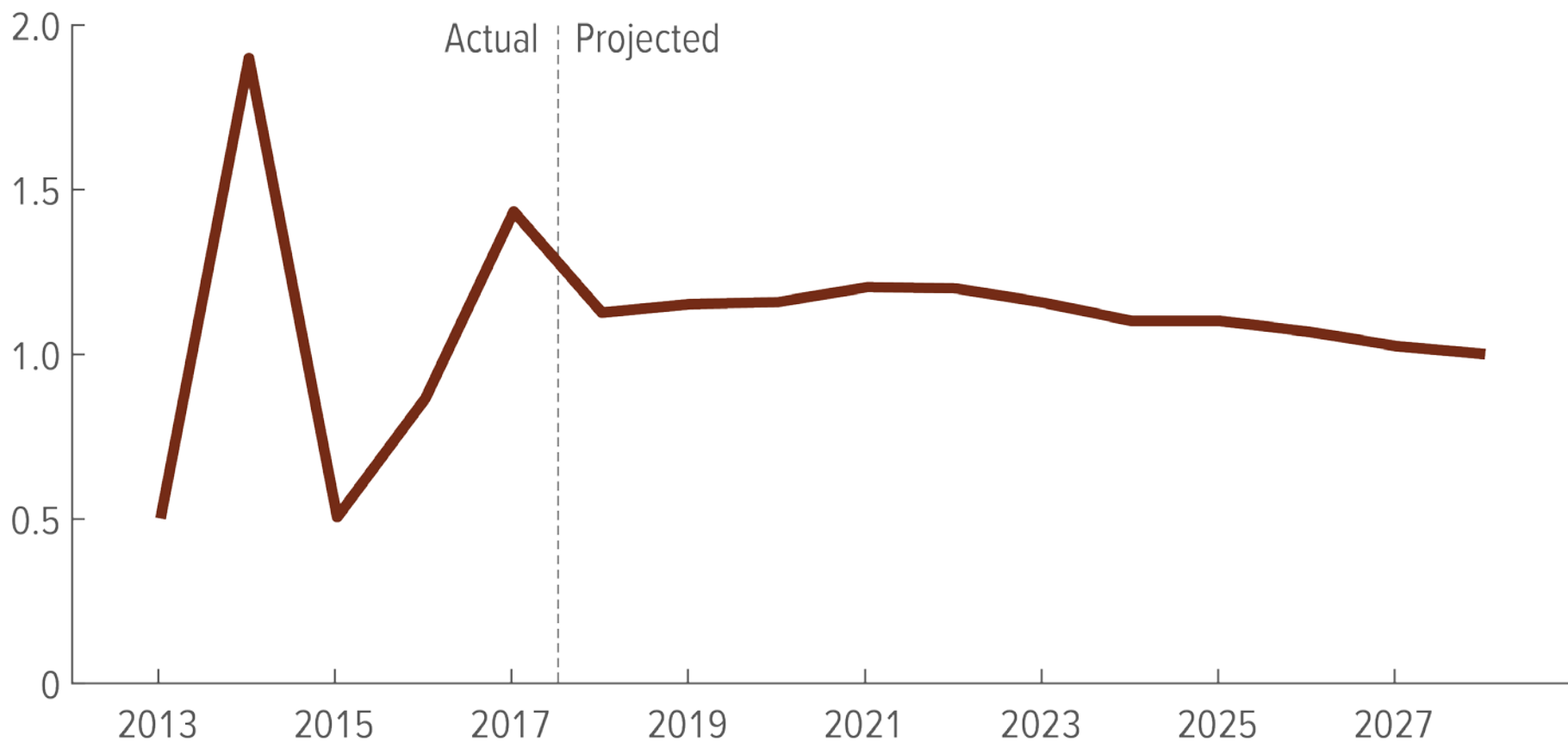
Growth of real purchases by federal, state, and local governments is projected to be rapid this year because of recent changes in federal spending policies.

Growth of Residential Investment



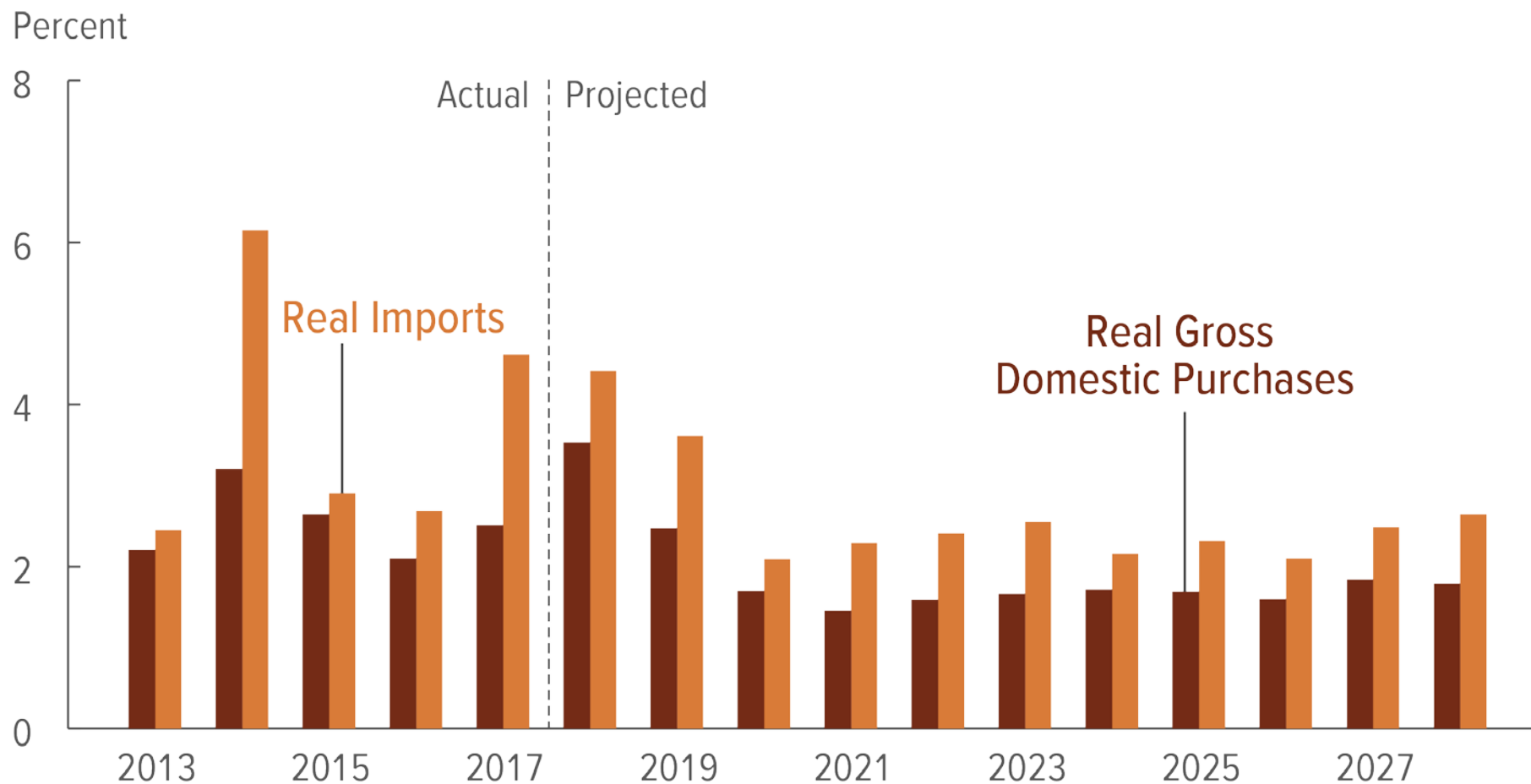
CBO expects the **growth of real residential investment** to be faster over the next few years than it was last year and to contribute slightly more to the growth of real GDP . . .

Millions of Households

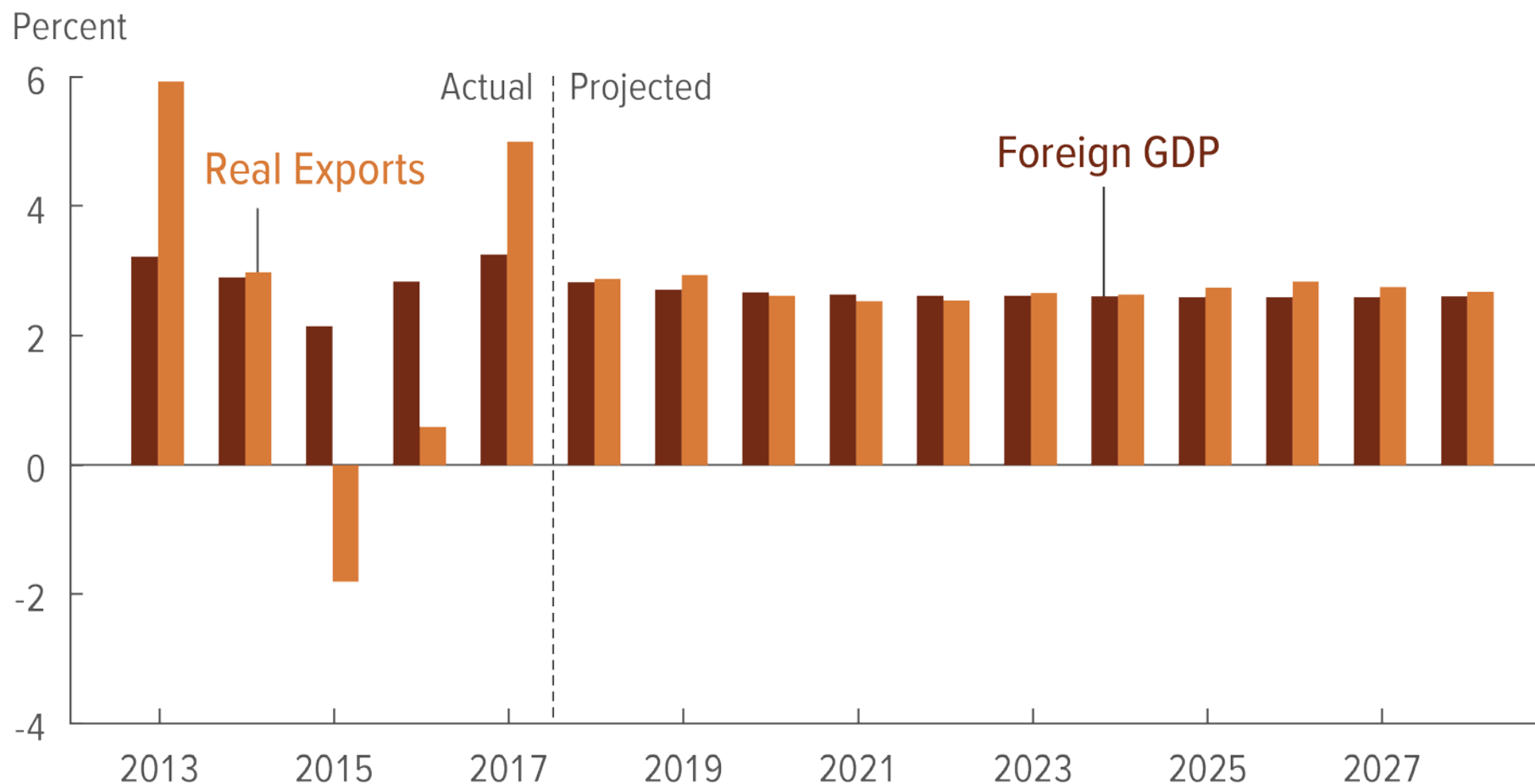


... in part because the average pace of **household formation** is projected to be faster than it was in the past decade.

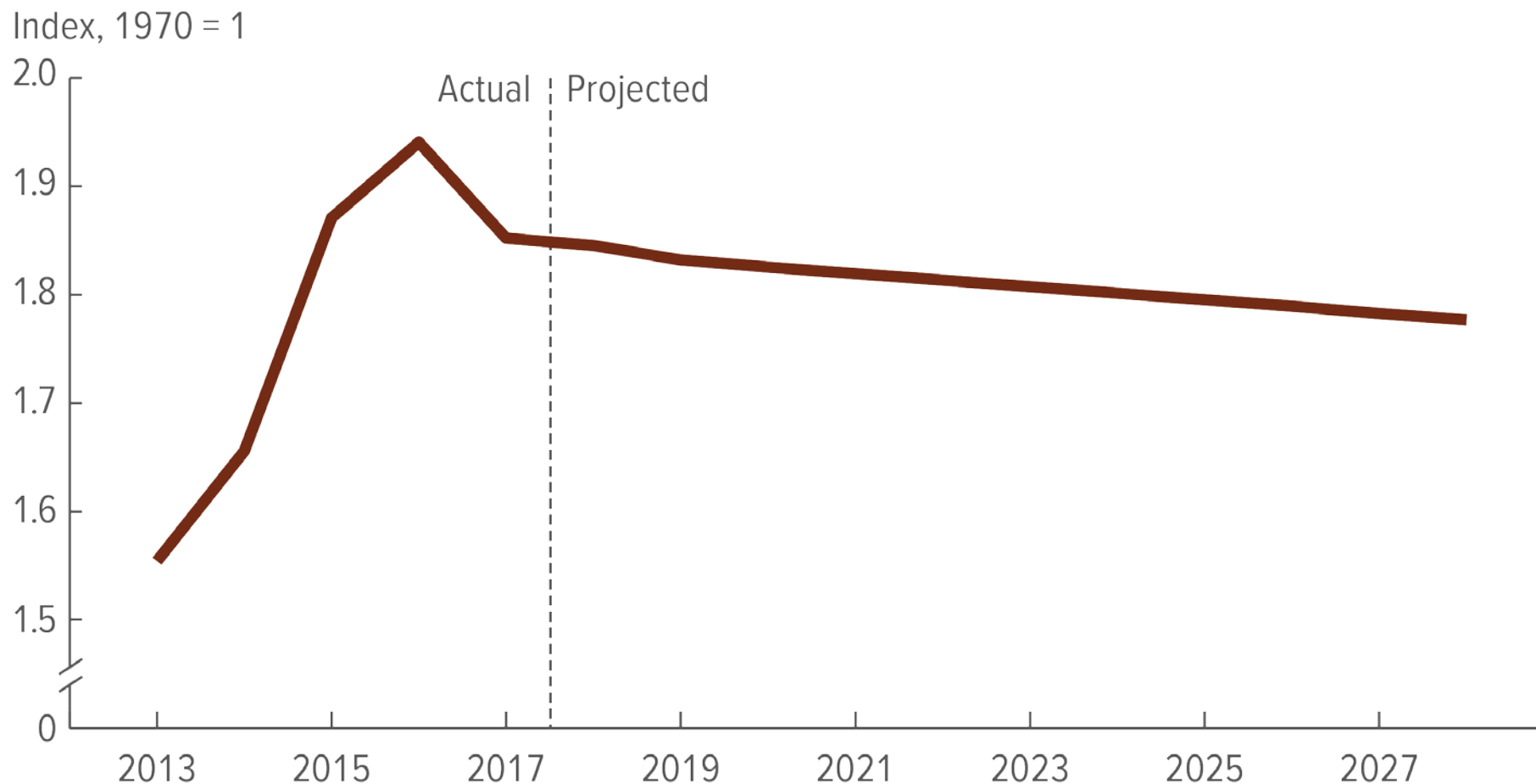
Growth of Imports and Exports



Growth of real imports is expected to be rapid this year and next and to moderate in later years, reflecting the pace of the **growth of real gross domestic purchases**.



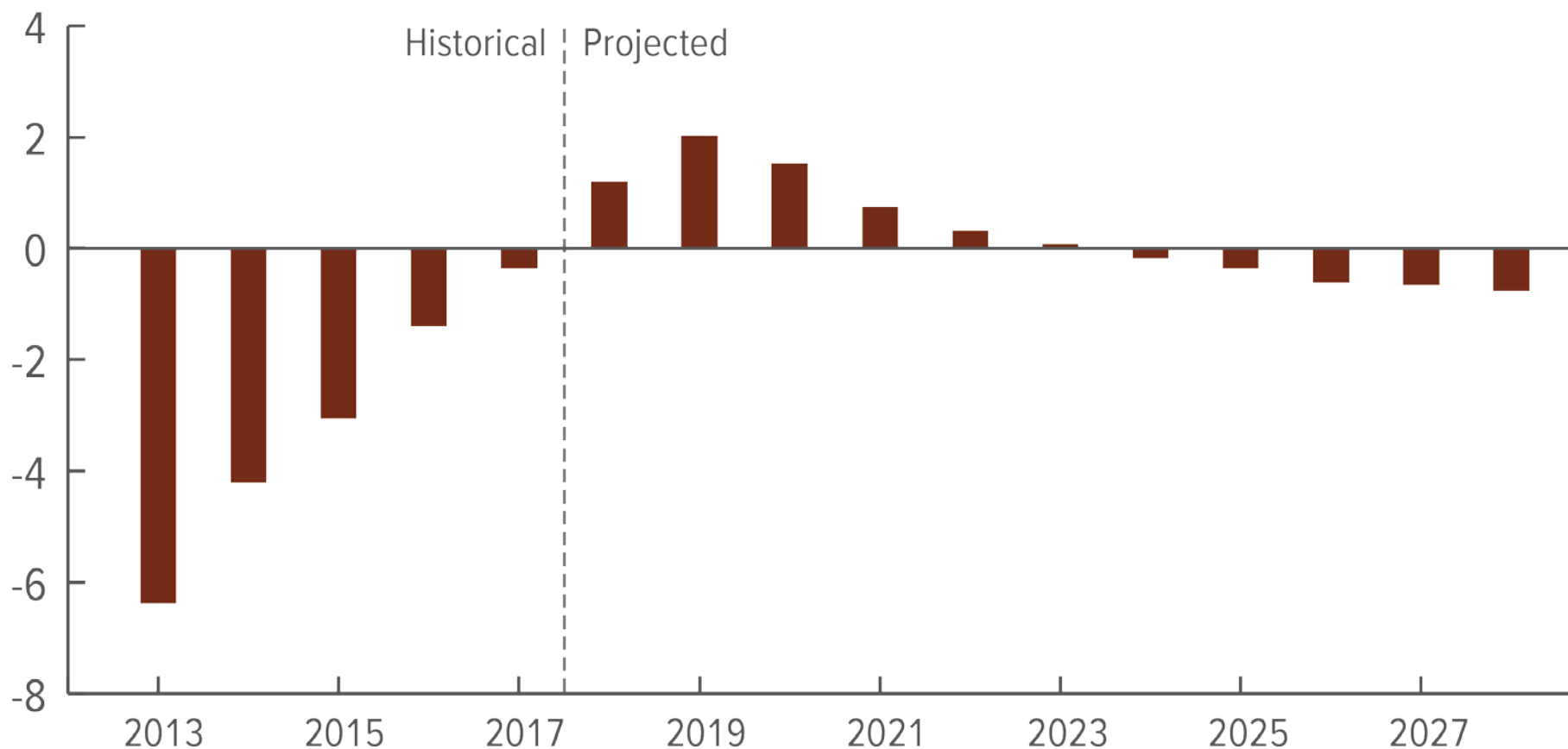
CBO's forecast of the **growth of real exports** reflects the agency's forecast of relatively stable **average real GDP growth of the United States' major trading partners**.



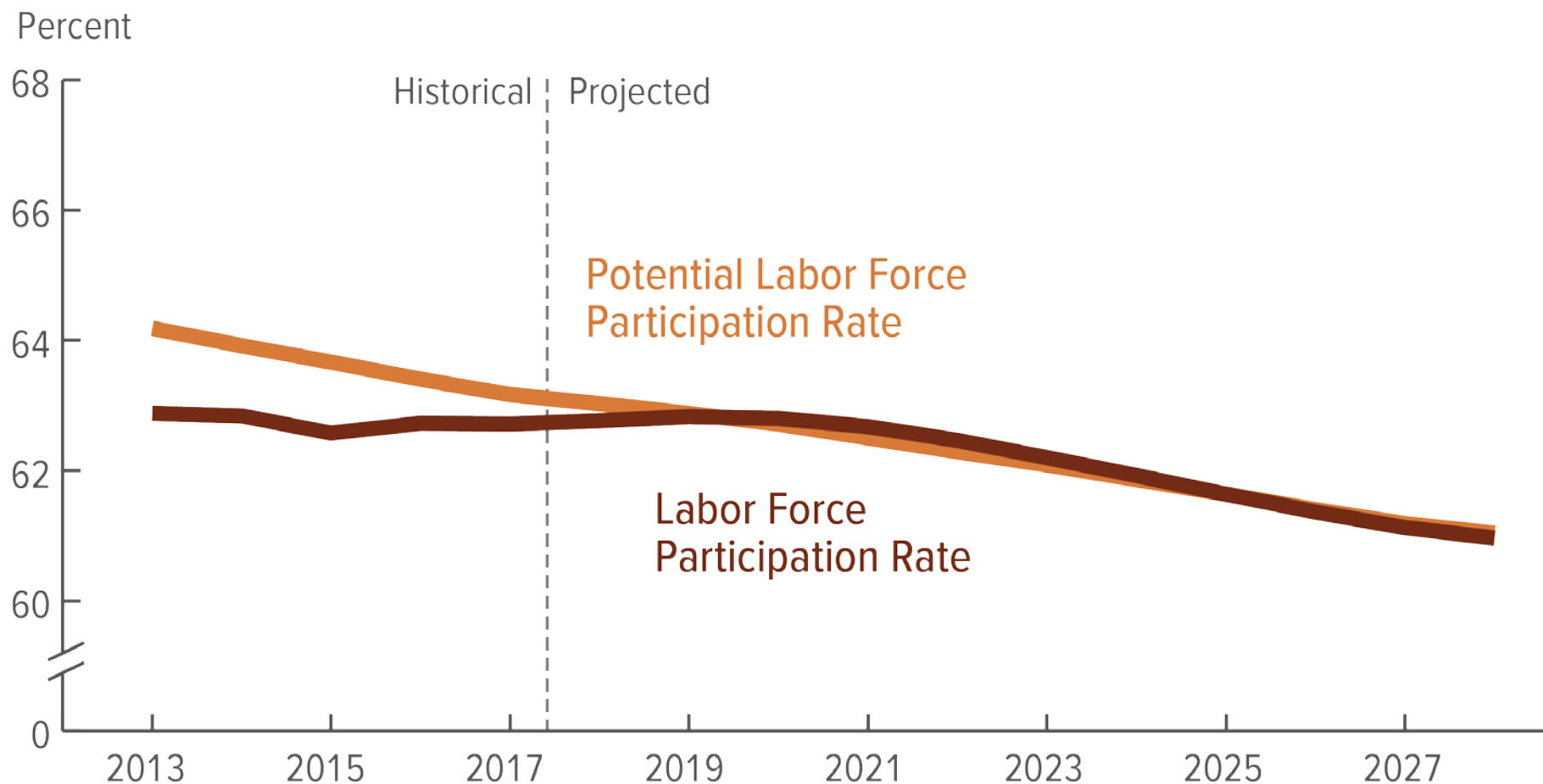
CBO's forecast also reflects an expectation of a slightly weaker dollar—that is, a decline in the **exchange value of the U.S. dollar**, which is an index of the export-weighted average of exchange rates between the dollar and the currencies of the United States' major trading partners.

The Labor Market

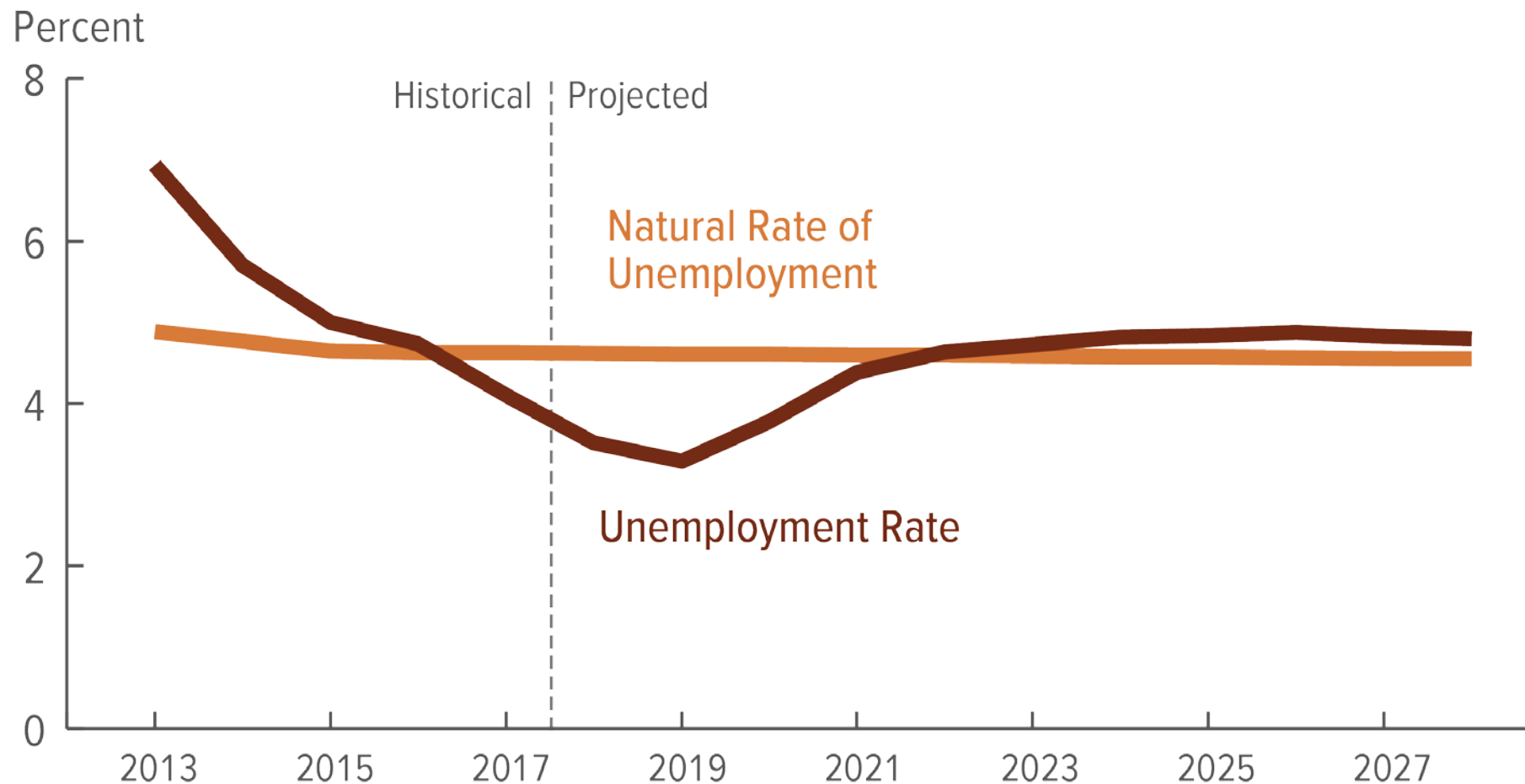
Millions of People



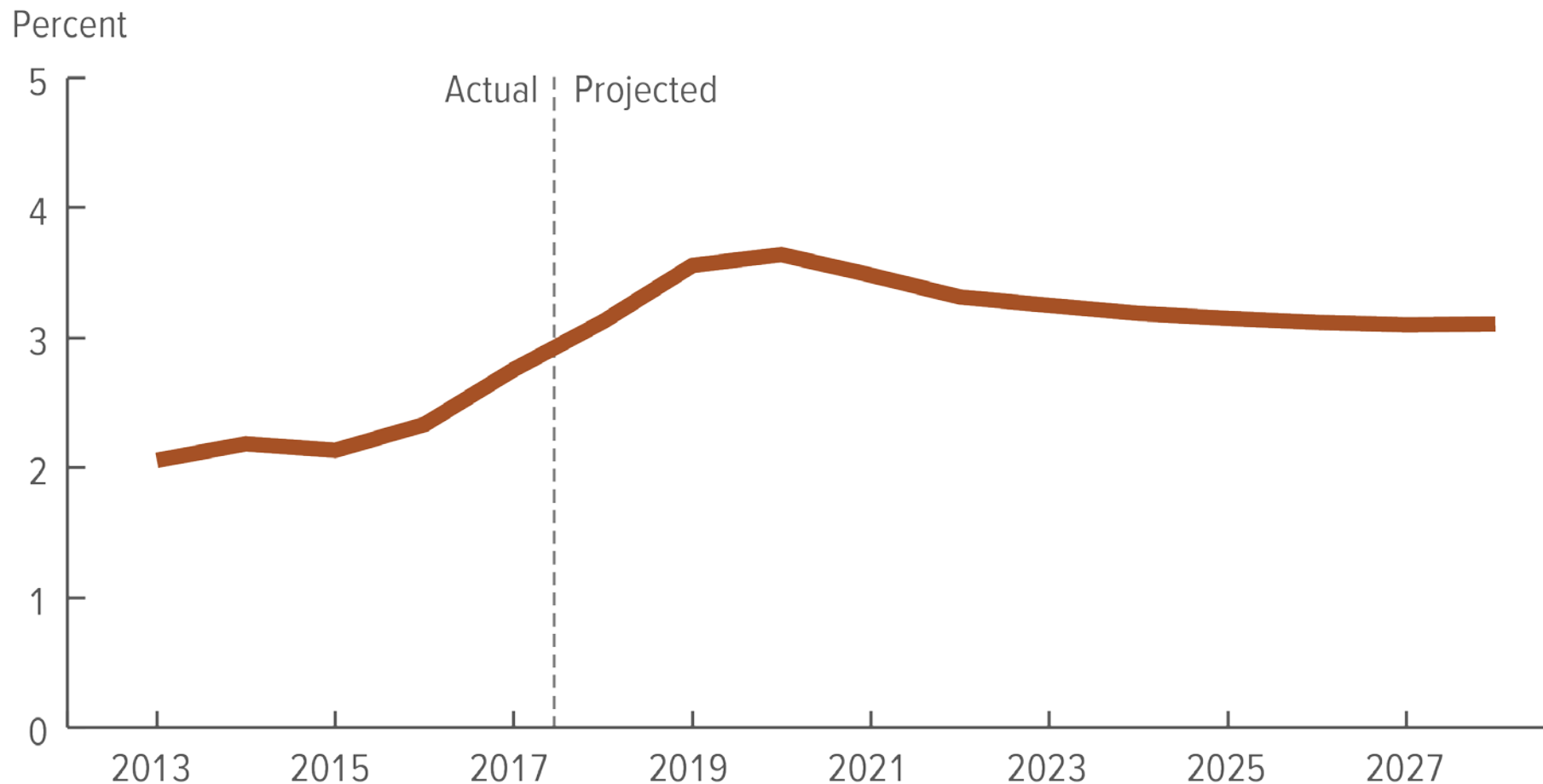
In CBO's projections for the near term, output growth boosts the estimated **employment gap**—the difference between the number of employed people and the number who would be employed in the absence of fluctuations in the overall demand for goods and services.



Output growth pushes the **labor force participation rate** (the percentage of people in the civilian noninstitutionalized population who are at least 16 years old and either working or seeking work) above CBO's estimate of the potential rate arising from all sources except fluctuations in the overall demand for goods and services.

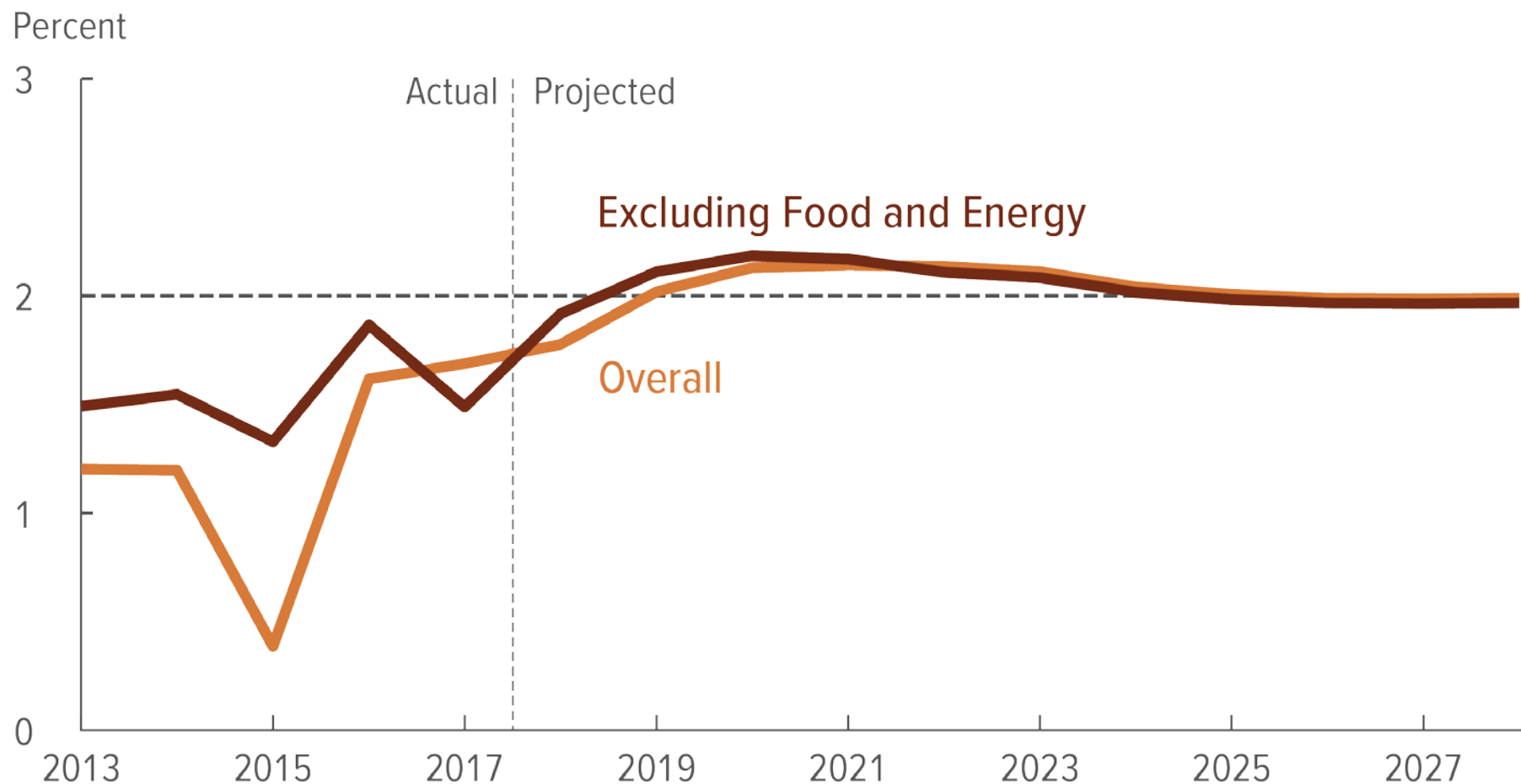


And output growth drives the **unemployment rate** (the number of jobless people who are available for and seeking work, expressed as a percentage of the labor force) below CBO's estimate of the natural rate arising from all sources except fluctuations in the overall demand for goods and services.

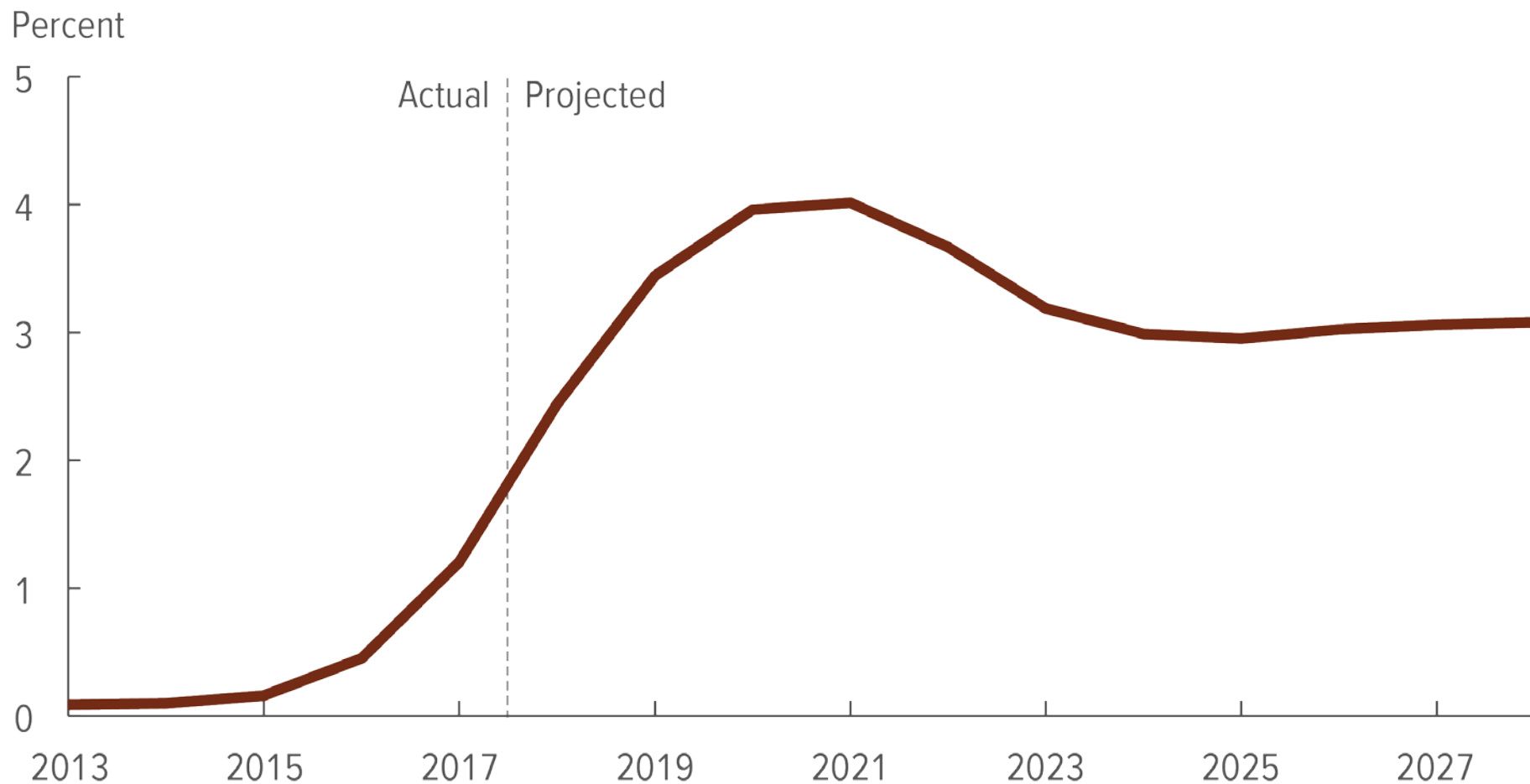


The demand for labor puts upward pressure on the **growth of wages**, measured by the employment cost index for wages and salaries of workers in private industry.

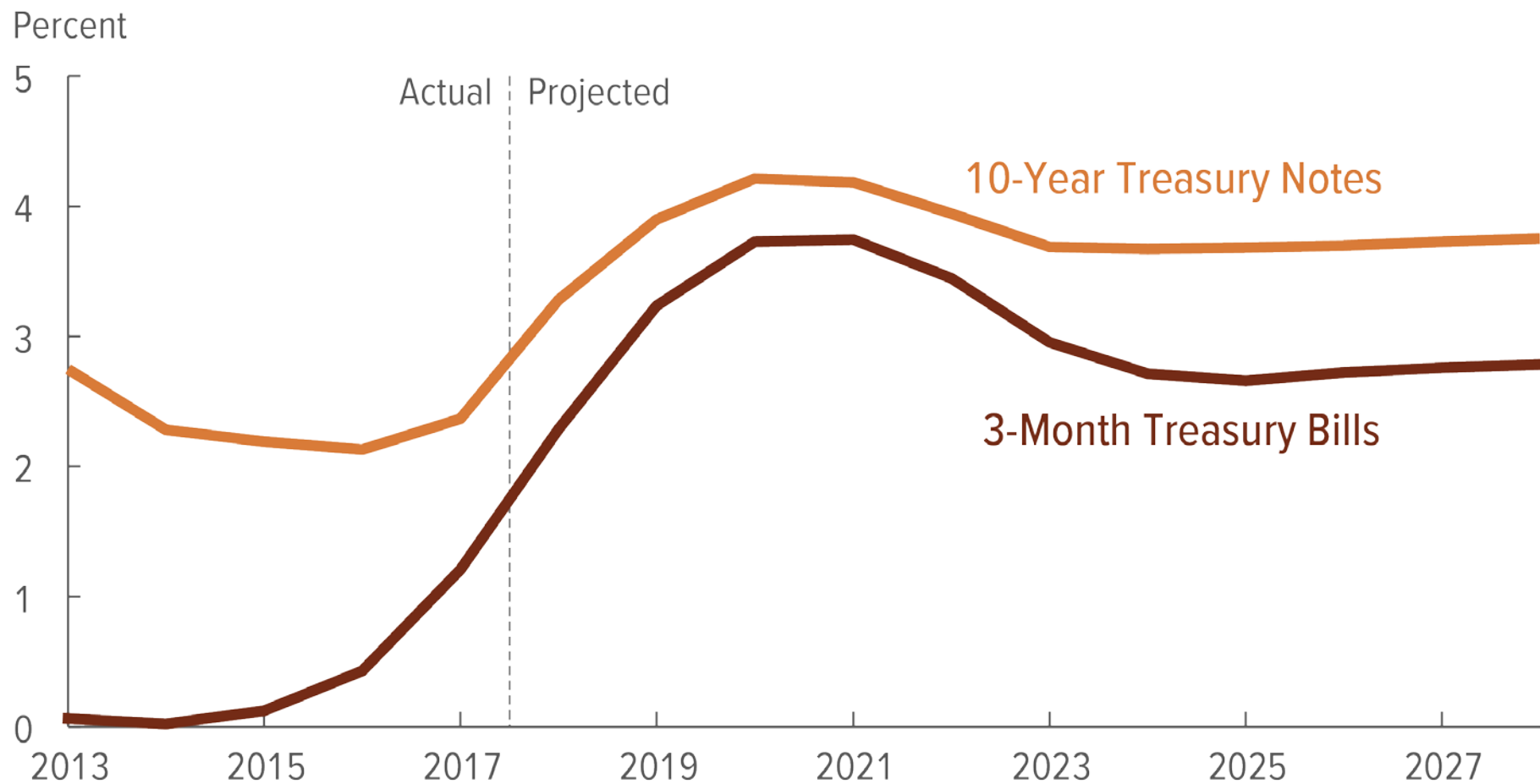
Inflation and Interest Rates



For several years, in CBO's projections, demand for goods and services exceeds the amount that the economy can sustainably supply and drives **growth in the price index for personal consumption expenditures** above the Federal Reserve's target rate of 2 percent.



CBO expects the Federal Reserve to continue increasing the **federal funds rate** (the interest rate that financial institutions charge each other for overnight loans of their monetary reserves) through 2021 to eliminate excess demand in the economy.



In CBO's projections, **interest rates** on Treasury securities also rise, influenced by increases in the federal funds rate and in federal borrowing.

About This Document

Kim Kowalewski, John Seliski, and Jorge Salazar prepared the material for these slides from the work of CBO's Macroeconomic Analysis Division.

For more details about the economic forecast as well as the agency's most recent budget projections, see *The Budget and Economic Outlook: 2018 to 2028* (April 2018), www.cbo.gov/publication/53651. That report is the result of work by many analysts at CBO.